

House Energy & Technology Committee

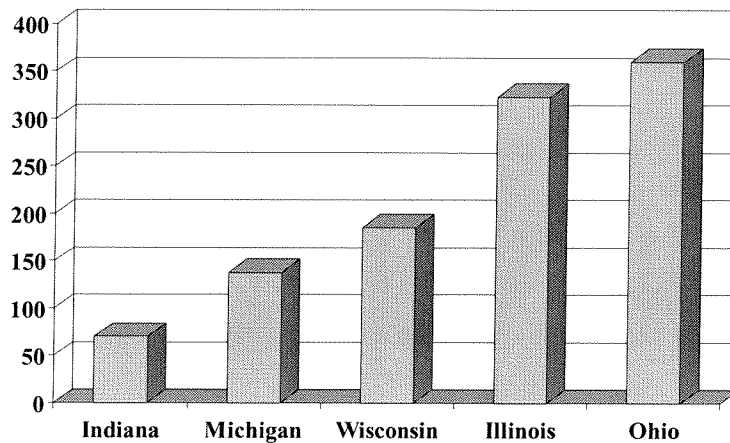
February 23, 2005

Robert B. Nelson, Commissioner
Michigan Public Service Commission

The Rate Case Process

- Michigan law requires some regulation of most utility companies
- PSC regulates natural gas & electric companies, rural electric cooperatives, and some telephone and trucking services
- Regulated energy companies must first obtain approval from the PSC to increase rates
- A rate case is a legal process carried out much like a trial in a courtroom

Staff Levels of Public Utility Commissions in Surrounding States



Changes in PSC Workload

YEAR	STAFF	COMPLAINT VOLUME
1991	240	8,387
2003	138	22,006

The Rate Case – How Utility Rates Are Set

- Utility files for a rate change
- Public Notice
- Public Hearings
- Administrative Law Judge Issues Proposal for Decision
- Commission Issues Order
- Order may be appealed

Timeline for Rate Case Processing

Michigan Average = 11.4 Months

U.S. Average = 11.7 Months

(Detroit Edison rate case took 17 months)

Customer Choice & Electric Reliability Act of 2000 (PA 141)

- Provide choice of electric suppliers
- Maintain protection for customers
- Ensure electric power in Michigan is safe, reliable, and affordable
- Encourage development of new generation
- Promote financially healthy and competitive Michigan utilities
- Use refinancing (securitization) to lower costs
- Expand transmission capacity

Detroit Edison Rate Case Issues

Three issues normally found in separate cases:

- 1) a traditional rate case
- 2) a power supply cost recovery case (PSCR)
- 3) a stranded cost case

Detroit Edison Rate Case Complex Case

- Involved 18 parties
- 235 exhibits
- 15 volumes of transcripts totaling 3,239 pages

Detroit Edison Rate Case – U-13808

Issues	Company Requested	Staff Proposed
Rate Relief	\$583 million	\$254 million
PSCR	(\$126)	(\$126)
Stranded Costs	\$107	\$ 44

Detroit Edison Rate Case – U-13808

Issues	Interim Order	Final Order
Rate Relief	\$248 million	\$336 million*
PSCR	(\$126)	(\$126)
Stranded Costs	\$ 30	\$ 44

*Includes pension expenses, clean air costs, a low income fund, an increase in common equity and inflation.

Historical Rate Comparison

<i>Customer</i>	<i>1993 Rates</i>	<i>New Rates</i>	<i>Change</i>
Residential	9.355¢/kWh	8.979	Down 4%
Commercial	9.986¢/kWh	9.783	Down 2%
Industrial	6.723¢/kWh	6.353	Down 5%

On 1-1-06, residential customers will experience a 7% rate increase as a result of the rate cap expiring.

Detroit Edison Rate Case – U-13808

Low Income Energy Efficiency Fund =
\$40 million

Renewable Energy Program =
5 cents/meter/month

Low Income & Energy Efficiency Fund

- PA 141 of 2000 authorized a fund
- Provides shut-off and other protection to low-income customers and promotes energy efficiency for all customer classes
- To date, \$115 million grants for low-income assistance, \$28 million for energy efficiency & \$18 million for technology

Renewable Energy Programs

- Detroit Edison & Consumers Energy directed to institute new renewable energy programs
- Through a collaborative, PSC staff and regulated utilities formed a consensus agreement on a proposed statewide *net metering* approach
- Required by PA 141 of 2000

Return to Bundled Service

- Choice customer must give notice of intent to return to bundled rates by December 1
- If choice customer doesn't give notice, then customer pays higher of tariff rate plus 10% or market rate plus 10%
- Bundled customer must remain on bundled rates for minimum of 12 months. Choice customer must remain on choice for 2 years

Default

- If alternative electric supplier defaults, the customer can return to bundled service after 30 days (or 60 days if load is more than 10%). Customer pays higher of tariff or market rate until then. Customer must remain on bundled service for 12 months

Deskewing

- Detroit Edison filed unbundling/deskewing case on February 4, 2005
- Consumers Energy included deskewing in their rate case filing of December 17, 2004 – Case No. U-14347

Status of Electric Competition

- In 2004, 18,740 customers of Detroit Edison & Consumers Energy participated, an increase of nearly 45% (commercial/industrial)
- Licensed alternative energy suppliers increased to 28
- PSC lacks authority under state law to set reserve margins, or enforce existing standards

Contact the Michigan Public Service Commission

- Toll free number: 1-800-292-9555
- Internet: www.michigan.gov/mpsc